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Attorneys for Debtors

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED
 FUND, LLC,
 Debtor.

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

In re:
 USA SECURITIES, LLC,
 Debtor.

Affects:

- ☐ All Debtors
- ☐ USA Commercial Mortgage Company
- ☐ USA Securities, LLC
- ☒ USA Capital Realty Advisors, LLC
- ☐ USA Capital Diversified Trust Deed Fund, LLC
- ☐ USA Capital First Trust Deed Fund, LLC

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR
 Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

Chapter 11

Jointly Administered Under
 Case No. BK-S-06-10725 LBR

**USA CAPITAL REALTY ADVISORS,
 LLC'S SECOND REPORT OF ACTION
 TAKEN AND PROGRESS TOWARDS
 CONSUMMATION OF CONFIRMED
 PLAN OF REORGANIZATION**

(Affects USA Capital Realty Advisors,
 LLC)

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USA Capital Realty Advisors, LLC (“USA Realty”), by and through its counsel, hereby submits this Second Report of Action Taken and Progress Towards Consummation of Confirmed Plan of Reorganization (“Second Report”). This Second Report is submitted pursuant to Article VIII, Section T of the Debtors’ Third Amended Joint Chapter 11 Plan of Reorganization (the “Plan”), Paragraph 74 of the Court’s “Order Confirming the Debtors’ Third Amended Joint Chapter 11 Plan of Reorganization,” as Modified Herein” (Docket No. 2376) (the “Confirmation Order”), and the Court’s Order dated April 30, 2007 (Docket No. 3627). The Plan became effective on March 12, 2007 (the “Effective Date”). USA Realty filed its First Report of Action Taken and Progress Towards Consummation of Confirmed Plan of Reorganization (“First Report”) on July 16, 2007, covering the period of March 13, 2007, through June 30, 2007. This Second Report covers the period of July 1, 2007, through September 30, 2007.¹

I. Resolution of Proofs of Claim Filed Against USA Realty

As of the filing of the First Report, USA Realty had resolved all of the proofs of claims filed against it with the exception of the claims filed by the Pension Benefit Guaranty Corporation (“PBGC”), and proofs of claims number 10729-00041 through 10729-00044 and 10729-00054 through 10729-00057 (known as the “McGimsey Claims”)

a. **PBGC Claims.** On June 29, 2007, USA Realty filed objections to the PBGC’s claims. USA Realty disputed the amounts of the PBGC’s claims and asserted that the PBGC will receive a double recovery on account of its claims if they are allowed in any amount against USA Realty. Thereafter, USA Realty was provided with additional information from prior management that demonstrated that USA Realty was in fact not a member of the USACM “controlled group,” and, therefore, had no liability on account of the PBGC’s claims. USA Realty presented this information to the PBGC, and based thereon the PBGC agreed by stipulation to withdraw its claims against USA Realty with prejudice (Docket No. 4939). The Court approved the stipulation by Order dated October

¹ Unless otherwise provided herein, all capitalized words and terms are defined in the confirmed Plan.

11, 2007 (Docket No. 4970).

b. McGimsey Claims. USA Realty has also objected to McGimsey Claims and is currently preparing to file a summary judgment motion based on the fact that the McGimsey Claims are unauthorized derivative actions. The Court held a status conference on the objections to the McGimsey Claims on October 15, 2007, which it then continued until December 20, 2007. USA Realty's summary judgment motion will be filed so that it can be heard at that hearing. The McGimsey Claims are the only remaining proofs of claim against USA Realty that have not been resolved.

9 **II. Resolution of Scheduled Claims**

1. On June 8, 2007, USA Realty filed an omnibus objection to the scheduled claims of Beadle McBride, Kummer Kaempfer Bonner Renshaw & Ferrario, and Santoro Driggs (Docket No. 3919) asserting that USA Realty was no longer liable on account of these claims since the parties had affirmatively sought payment of their claims from other Debtors.

2. By Order dated July 31, 2007 (Docket No 4386), the Court sustained USA Realty's objection thereby disallowing the scheduled claims of Beadle McBride, Kummer Kaempfer Bonner Renshaw & Ferrario, and Santoro Driggs in their entirety.

3. All issues involving USA Realty's scheduled claims have now been resolved.

18 **III. Resolution of Motions, Contested Matters, and Adversary Proceedings**

As of the filing of the First Report, all motions, contested matters, and/or adversary proceedings involving USA Realty had been resolved with the exception of (A) the USA Realty Professionals' final fee applications, and (B) a "conditional" adversary proceeding which was filed by Compass against, in relevant part, all of the Debtors on July 7, 2007, designated as Adversary Proceeding No. 07-01105 ("Compass Proceeding").

a. Final Fee Applications. A hearing on the USA Realty Professionals' Final Fee Applications was held on August 7, 2007, and all matters related to those Applications were concluded at that time. The Court granted the USA Realty Professionals' Fee Application by Orders dated August 15, 2007, (Docket Nos. 4505 and 4506) and August 16, 2007 (Docket No. 4570). The Court also authorized USA Realty to make distributions to

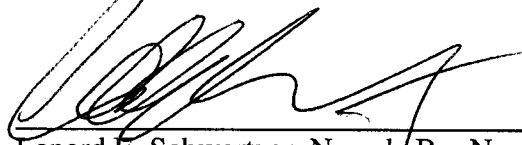
the USA Realty Professionals from the Ordered Expense Reserve, which distributions have been made. Therefore, there are no remaining issues with regards to the USA Realty Professionals' Final Fee Applications.

b. Compass Proceeding. As of the date of this Second Report, USA Realty still has not been served with the Complaint in the Compass Proceeding. Compass, however, has recently informed USA Realty that it will be filing a notice dismissing USA Realty from the Compass Proceeding. Thus, this issue will shortly be resolved leaving the McGimsey Claims as the only impediment to the closing of the USA Realty estate and dissolution of USA Realty as an entity.

IV. Unresolved USA Realty Management Fees Issues

To date, there remains an unresolved issue regarding the payment of management fees from DTDF to USA Realty, which fees are then payable to USACM under the Plan. The Plan provides that the payment of postpetition management fees "shall be as mutually agreed upon by the USACM Committee and the DTDF Committee or, in the absence of agreement, will be determined by the Court." Plan at IV.E.5.c. The USACM Committee and DTDF Committee have not yet reached an agreement on this issue. As the resolution of this issue does not directly involve USA Realty, however, the USA Realty bankruptcy case can close even without the resolution of this management fee issue.

Respectfully submitted this 25th day of October, 2007.



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